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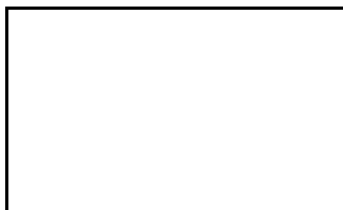
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NATIONAL INTELLIGENCE DAILY CABLE

Monday January 10, 1977

CG NIDC 77-007C



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NATIONAL SECURITY INFORMATION
Unauthorized Disclosure Subject to Criminal Sanctions

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National Intelligence Daily Cable for Monday, January 10, 1976.

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The NID Cable is for the purpose of informing senior US officials.

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CHINA: Continuing Political Divisions

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[redacted] Activities in China observing the first anniversary of the death of Chou En-lai reflect a continuing division among China's leaders over the future of former vice premier Teng Hsiao-ping. Wall posters appearing in Peking [redacted]

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[redacted] have called for Teng's return and criticized Politburo member Wu Te, who may have had a hand in events leading to Teng's ouster last spring.

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[redacted] Wu, who also serves as the party leader of Peking municipality, last April urged crowds to disperse during the rioting in Peking that led to Teng's fall. The rioting grew out of removal of wreaths honoring Chou. Wu is now charged with suppressing those expressions of grief for Chou and for characterizing the riots as counter-revolutionary.//

[redacted] In addition, Wu is the last Politburo member to urge publicly the continued criticism of Teng. Rumors that Wu is in political difficulty have been circulating in China since his call in November to denounce Teng.//

[redacted] //A poster implicating Peking Military Region commander and Politburo member Chen Hsi-lien in suppressing the riots in April also has been reported in a Western press account of memorial activities. If substantiated, this would be the first public criticism of Chen in some time. Chen's role in the removal of Teng and his position on Teng's rehabilitation, however, are not clear. According to some accounts, Chen persuaded Teng to accept quietly Hua Kuo-feng's promotion to acting premier last January.//

[redacted] //The issue of Teng's rehabilitation has occupied the leadership since the leftist Politburo members were purged in October. The "gang of four" were chiefly responsible for Teng's ouster but could not have accomplished it without the support of other Politburo members. The posters in Peking are the most obvious signs to date of an attempt to pressure those who may have opposed Teng last year and continue to block his return.//

[redacted] The posters calling for Teng's return and criticizing Wu and Chen appeared with many others praising Chou or attacking the "gang of four." Authorities in Peking have made no

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apparent effort to remove the politically sensitive posters-- although some have been damaged--or to disperse crowds reading them. No posters critical of Hua have been observed; some posters quoted in Western accounts were careful to treat the party chairman with proper respect.

25X1 [] No high-ranking leader in Peking has been associated with the memorial activities, which evidently have been carried out in an almost holiday-like atmosphere. Some foreigners thought that they had been invited to a memorial ceremony on Saturday which the leadership would attend. Such a gathering, however, has not been reported. []

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World Coffee: No Relief in Sight

25X1 [] World green coffee prices, which increased by 20 percent in December and more than tripled over the past 18 months, may rise even further this year because of reduced production, strong demand, and low stock levels. Retail prices, which lag behind green coffee prices by about six months, will continue their steep rise as higher priced coffee moves onto the market.

25X1 [] World coffee production for the current marketing year is expected to be 25 percent below normal levels; world stocks have already fallen to the lowest level since the early 1950s. Brazil's production, which normally accounts for about one third of world output, fell from 1.7 million tons in 1975 to less than 600,000 tons in 1976 because of a freeze that reportedly damaged 75 percent of its coffee trees. Earlier this week, Brazilian officials predicated that the 1977 crop will reach only about 780,000 to 840,000 tons, down from the previous projection of 900,000 tons.

25X1 [] Declining stocks in producer countries such as Brazil, Colombia, and Ivory Coast are a major concern in the world coffee market. The Executive Board of the International Coffee Organization will meet later this month to determine the exact size of producers' stocks.

25X1 [] Brazil announced its stocks were down to 1.2 million tons on January 1 and will decline to 900,000 tons by the end of the year. Brazil raised coffee export taxes and minimum export prices sharply to conserve stocks, raising world prices.

Traders are contracting for even larger amounts of coffee, expecting that prices will be raised again and that Brazil's foreign sales may be halted until the July frost season has passed.

25X1 [] Even with its poor 1976 crop, Brazil exported 936,000 tons of coffee in 1976, 7 percent more than in 1975. Higher prices resulted in a doubling of foreign exchange earnings from coffee. Earnings in 1977 will increase substantially over the 1976 level, even if exports are held to 720,000 tons as Brazil now plans. []

USSR: Oil Recovery

25X1 [] Because of the high cost of developing oil reserves in remote regions, the USSR is planning a high priority program to recover an additional 10 percent of their known oil reserves through intensive use of enhanced recovery techniques. The Committee on Science and Technology of the Council of Ministers is coordinating the new plan, which calls for:

--Timetables for adopting new recovery methods throughout the USSR.

--Creation of a special association within the Ministry of Petroleum to develop and introduce advanced methods of oil recovery.

--A special fund to reimburse oil production enterprises for the higher costs of the new technologies.

--Construction of new plants to produce special chemicals in quantity.

--Mass production of specialized equipment, and training workers in the new equipment and technology.

25X1 [] The USSR already uses waterflooding in about 85 percent of its total oil production. Waterflooding is commonly used in other countries as a secondary recovery method, but the Soviets use it to maintain pressure soon after oil production begins. They inject large volumes of water at high pressures which often causes damage to the reservoirs and subsequent loss of recoverable oil.

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[] The Soviets have only limited experience with most other enhanced recovery techniques, although they have tried every major secondary and tertiary recovery technique on an experimental or pilot basis at at least one oil field.

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[] Two areas in which the Soviets have considerable expertise are nuclear stimulation, in which an atomic blast is used to crack the rock making it easier for the oil to collect in the reservoir, and the recovery of very heavy oils. The Soviets have relied extensively on thermal recovery methods for heavy oils.

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[] Steam injection has been employed in fields at Okha, Boryslav, and Baku. Internal combustion, in which oil at the periphery of the deposit is set on fire to heat the rest of the oil making it flow easier, has been used in Baku and in other regions with heavy oils. The usual practice is to lower an electric heater into the wells to ignite the oil.

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[] Hot water injection methods have been used in regions where high paraffin content causes the oils to flow poorly at temperatures below 30 degrees centigrade. In other cases, extremely viscous oils have been recovered by using a combination of underground mining with steam and combustion techniques.

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[] The research and test programs needed to support the latest enhanced recovery program will be conducted by ten regional oil field research laboratories under the direction of the All Union Oil and Gas Research Institute in Moscow. Each regional laboratory will focus on techniques having direct application to oil fields within its region. The older oil fields near Baku have apparently been selected as the major testing ground for many of the techniques to be developed.

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[] The Soviets have set an ambitious goal in the present five-year plan to increase crude oil production, including gas condensate, from about 491 million tons in 1975 to 640 million tons in 1980. The annual 30-million-ton increase needed to meet this goal is unlikely to be attained.

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[] Reserves in the older producing regions are being depleted and new discovery has not kept pace with the rate of increase in production. The drilling alone that would be required to provide 530 to 540 million tons of new production

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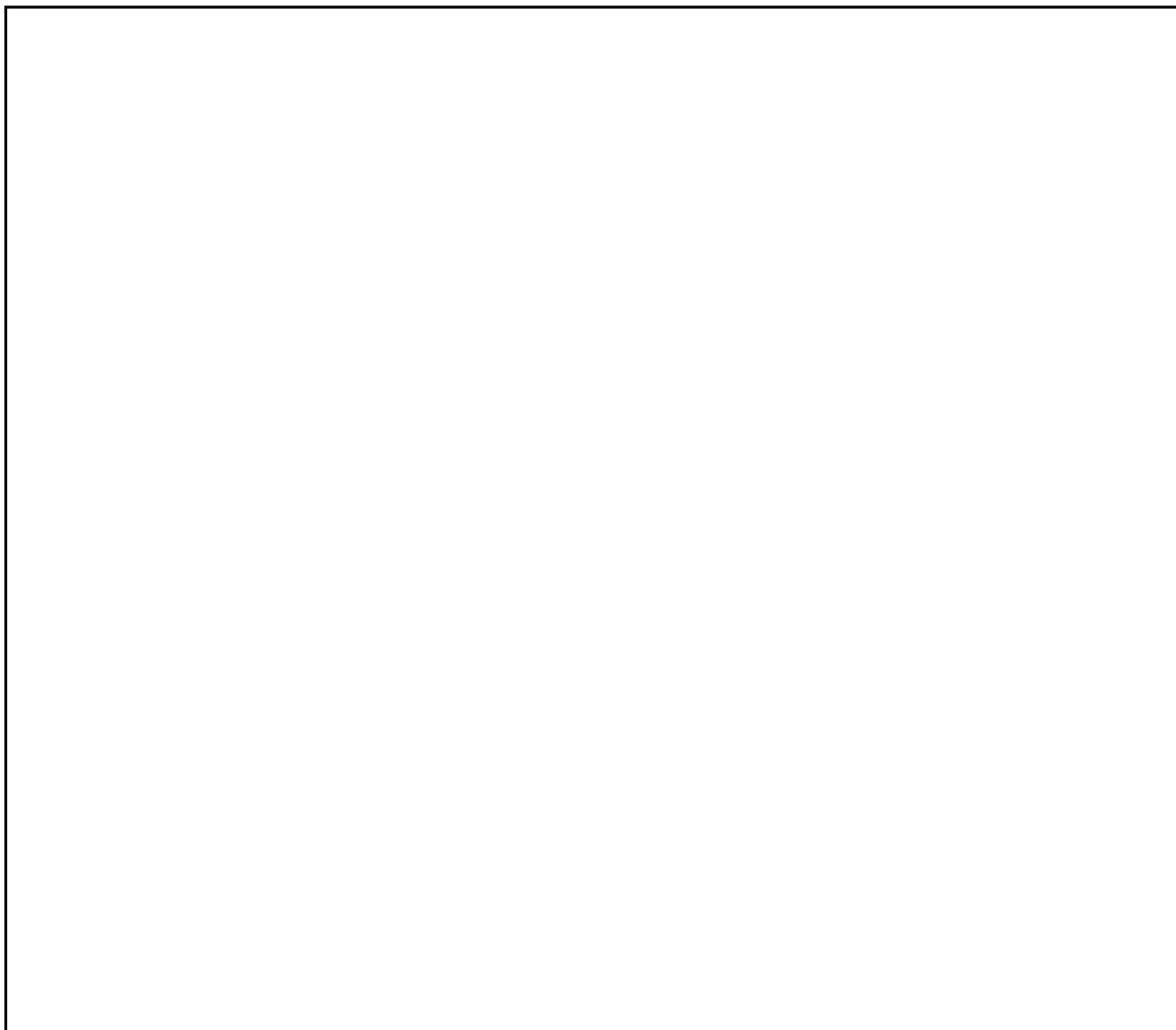
capacity--including at least 390 million tons to offset depletion of old fields--is an overwhelming task.

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 The enhanced recovery program with its goals of a 10- to 12-percent increase in recovered oil is at best a long-term prospect--even if the Soviets decide to import chemicals, equipment, and technology from the West. 

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BOTSWANA-RHODESIA: Political Refugees

25X1 [] Botswana's refugee problem, termed critical in mid-December by the acting foreign minister, is being aggravated by a large influx of black Rhodesians.

25X1 [] According to a high cabinet official, the number of Rhodesians in Francistown near the border is now over 850; 300 arrived on Thursday. He said the latest arrivals were nearly all young followers of Joshua Nkomo's black nationalist group. They asserted they were fleeing "voluntary" military service with the white regime.

25X1 [] Many of the refugees were being flown out, with Nkomo's group paying the costs. They presumably eventually will provide much-needed manpower for the Rhodesian guerrillas operating out of Zambia. Nkomo's faction has been trying to increase its military activity across the Zambia-Rhodesia border, but its guerrilla force is much smaller than the rival nationalist faction which operates out of Mozambique.

25X1 [] Botswana fears that the presence of these refugees will provide the Rhodesian security forces with a pretext for further raids across the border, which Botswana's mobile police is unable to guard. []

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